CENTRAL-DEL RIO OILS LIMITED / 23RD ANNUAL REPORT 1969

CENTRAL-DEL RIO OILS LIMITED

Twenty-third Annual Report
for the year ended December 31, 1969

Contents

Annual Meeting

The Annual Meeting of the Shareholders of the Company will be held at the Palliser Hotel, Marquis Room, Calgary, Alberta at 10:30 a.m. on Thursday, April 16, 1970. Notice of meeting, information circular and a proxy form are being mailed to each registered shareholder with this report.

Cover: Twilight view of drilling rig at Chin Coulee, near Taber, Alberta.
Photo courtesy Nick Morant.

Two Year Comparative Highlights

The figures shown below combine the operations of Central-Del Rio Oils Limited with the operations of Canadian Pacific Oil and Gas Limited in 1969. For comparative purposes 1968 figures have been restated to reflect changes in accounting practices.

Financial	1969	1968
Gross income	$33,247,209	$33,376,784
Cash generated	25,853,922	27,402,470
Per share	85c	90c
Net income	12,124,225	13,578,480
Per share	40c	45c
Cash dividends	9,350,236	8,116,938
Per share	31c	27c
Long term debt	17,810,400	400,000
Capital expenditures	27,714,105	24,569,714

Operations		
Production Net (Daily)		
Oil (bbls.)	22,125	21,709
Natural Gas (MMcf.)	156.6	126.5
Natural gas liquids (bbls.)	2,216	2,061
Sulphur (l.t.)	265	235
Drilling Record		
Exploratory wells drilled	64	92
Successfully completed	15	19
Development wells drilled	38	67
Successfully completed	24	50
Net oil wells owned	428.8	411.5
Net gas wells owned	266.1	259.8

NOTE: Dividends to individual shareholders of Central-Del Rio Oils Limited amounted to 27c per share in 1969 as compared to 24c in 1968.

Report of the Directors

Your directors are pleased to present the 23rd Annual Report, covering the operations of Central-Del Rio Oils Limited for 1969. In addition to the normal activities, 1969 was an extremely important year because of the integration of the operations of Canadian Pacific Oil and Gas Limited with those of your Company. You will recall that this integration was approved by the shareholders on September 29, 1969 and resulted in Central-Del Rio's acquisition of 100 per cent of Canadian Pacific Oil and Gas Limited's shares.

Central-Del Rio has had two decades of growth, marked by the Weyburn discovery, with emphasis on oil production in Saskatchewan. Canadian Pacific Oil and Gas has completed a decade of continued progress with emphasis on gas production in Alberta, but also with a large land position spreading from the Arctic Islands through the Northwest Territories, northeastern British Columbia, and into the Prairies.

We are now at the beginning of the 70's, a new decade in which we have every right to expect an exciting future with continued growth, for by combining the two companies, we have created one of the largest independent petroleum producing and exploration companies in Canada. The integration of the two companies produces a better balance of revenues than either enjoyed alone, greatly broadens the exposure to exploration opportunities and enhances the effectiveness of capital employed.

Despite the fact that increases were obtained in all phases of production, net income for 1969, after provision for deferred income taxes, amounted to \$12,124,225 — or 40 cents a share — compared with \$13,578,480 — or 45 cents a share — in 1968. The decrease in net earnings is largely due to increased interest charges and to a decrease in the price of sulphur. The increased interest charges are associated with financing for our aggressive exploration and land acquisition program in the Arctic Islands, Northwest Territories and in the Foothills belt. Recent announcements of the encouraging gas discoveries in Panarctic's Drake Point well on Melville Island and an oil discovery in the Mackenzie River Delta clearly indicate the future potential of our program.

Gas market requirements are far in excess of the supply, and for this reason we are planning to continue a very active exploration and development program to increase our gas reserves.

New gas contracts and an increase in the production ratio to reserves in old contracts will result in an appreciable increase in gas production for the coming year.

Oil production is expected to increase from the new developments at Countess in Alberta and Macoun in Saskatchewan. Furthermore, waterfloods in the Taber area of Alberta and at Lake Alma and Flat Lake in Saskatchewan are expected to make important additions.

The staffs of Central-Del Rio and Canadian Pacific Oil and Gas have been combined under one roof without major disruptions. The resultant staff forms a stronger group capable of meeting the challenge of the future. In this connection, it is particularly appropriate to acknowledge the excellent efforts of our staff in dealing with the problems inherent in an integration and to recognize their ability and contribution to our success in the past.

We are pleased to welcome the Honourable Duff Roblin, P.C. to the Board of Directors of the Company following the retirement of Mr. F. V. Stone.

For the Directors

J. Hardy

Chairman of the Board

Jm Taylor

President and Chief Executive Officer

Calgary, Alberta
March 16, 1970

Exploration and Development

Exploration and development costs totalled $25.7 million in 1969, an increase of 16.7% over 1968 as the Company's extensive land acquisition and exploration program was continued.

Land

Land activities during 1969 involved acquisition of rights totalling 7.2 million gross acres, (3.4 million net acres). Emphasis in land acquisition during 1969 was placed on increasing land holdings in the gas areas of British Columbia where short to medium range projects exist. A number of reservations were purchased and in addition, large blocks totalling 4.3 million acres were acquired in other parts of British Columbia to cover long range projects. The Company has had little representation in northern Alberta outside the Rainbow area and to bridge this gap in the land inventory, a number of large blocks were acquired both by purchase and farmin (0.8 million acres). Representation was also obtained in the southern part of the Foothills belt to cover newly developed areas of interest.

The policy of actively promoting farmouts and options on Company freehold lands was continued and approximately 1.1 million acres were farmed out during the year. The farmout policy results in extensive evaluation of the Company's lands for no cash outlay. During 1969 over 200 wells were drilled free of cost and the Company retained royalty interests varying from 2½% to 30%. In many cases the Company retains the option to convert from a royalty to a working interest should the farmee's program prove successful after the initial risk has been taken.

CAPITAL EXPENDITURES

	1969	1968
Exploration and Development		
Land Acquisition and Retention	$ 5,018,793	$ 6,611,812
Geological, Geophysical and Overhead	7,231,300	6,669,515
Wells	13,442,120	8,735,964
	25,692,213	22,017,291
Production Facilities and Equipment	2,021,892	2,552,423
	$27,714,105	$24,569,714

WORKING INTEREST HOLDINGS IN PETROLEUM AND NATURAL GAS RIGHTS

	At December 31, 1969 Acres Gross	Net
Alberta (1)	8,716,230	7,966,629
Saskatchewan (1)	3,136,424	3,040,545
Manitoba (1)	376,121	355,081
British Columbia (2)	5,209,795	2,340,362
Northwest Territories (3)	6,620,674	4,833,200
Arctic Islands (4)	1,601,224	447,013
Ontario	363,543	341,508
Maritimes	798,099	798,099
United States	45,770	17,738
North Sea (U.K.)	735,734	183,934
Total	27,603,614	20,324,109

Note (1) The Company owns mineral titles, crown and freehold leases covering 11,787,827 gross acres in Alberta, Saskatchewan and Manitoba, of which 2,926,409 acres are under lease or sublease to others reserving gross and overriding royalties on production and are therefore excluded. Unleased mineral title lands are included, where applicable.

Note (2) In addition, the Company owns mineral titles covering approximately 1,800,000 gross acres on Vancouver Island, B.C.

Note (3) In addition, the Company holds mineral prospecting permits covering 332,490 gross and net acres in the Keewatin District of the Northwest Territories.

Note (4) This does not include the Company's interest in Panarctic.

Exploration

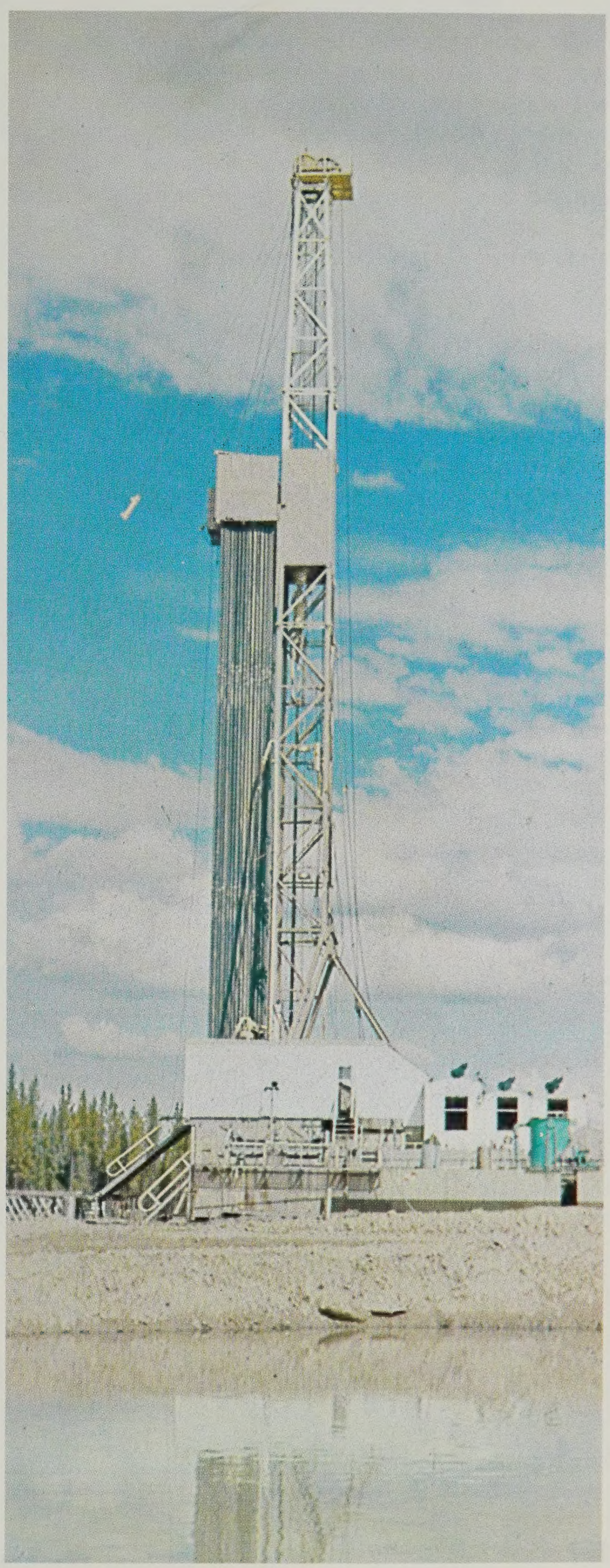
Exploration for new reserves continued at a high level of activity in most parts of Western Canada as well as further afield. Involved were geophysical and geological surveys as well as an extensive wildcat drilling program.

Exploration and development drilling in 1969 resulted in expenditures of $13.4 million. The Company drilled, or participated in 102 wells, equivalent to a net interest of 65.88 wells, of which 64 (net 39.59) were exploration and 38 (net 26.29) were development.

1969 DRILLING RECORD
GROSS WELLS

	OIL	GAS	DRY	TOTAL
Exploratory				
Alberta	3	9	29	41
British Columbia	1	1	4	6
Saskatchewan	1	–	8	9
N.W.T.	–	–	4	4
Ontario	–	–	2	2
North Sea	–	–	2	2
	5	10	49	64
Development				
Alberta	8	6	11	25
British Columbia	1	–	2	3
Saskatchewan	9	–	1	10
	18	6	14	38
Total	23	16	63	102

Gas discoveries were made at Chestermere, Countess-Lathom, Stirling, Knob Hill, West Jumping Pound and Ukalta in Alberta and in British Columbia at Clarke Lake East and Helmet. Additional gas reserves were established on Company lands in the Calgary, Strathmore, Mallow, Matziwin, Bassano, Carseland and Alderson areas of southern Alberta. Development drilling for gas was undertaken in the Countess-Lathom area of southern Alberta and Ukalta in east-central Alberta where the field has now been defined and will be placed on production in 1970.

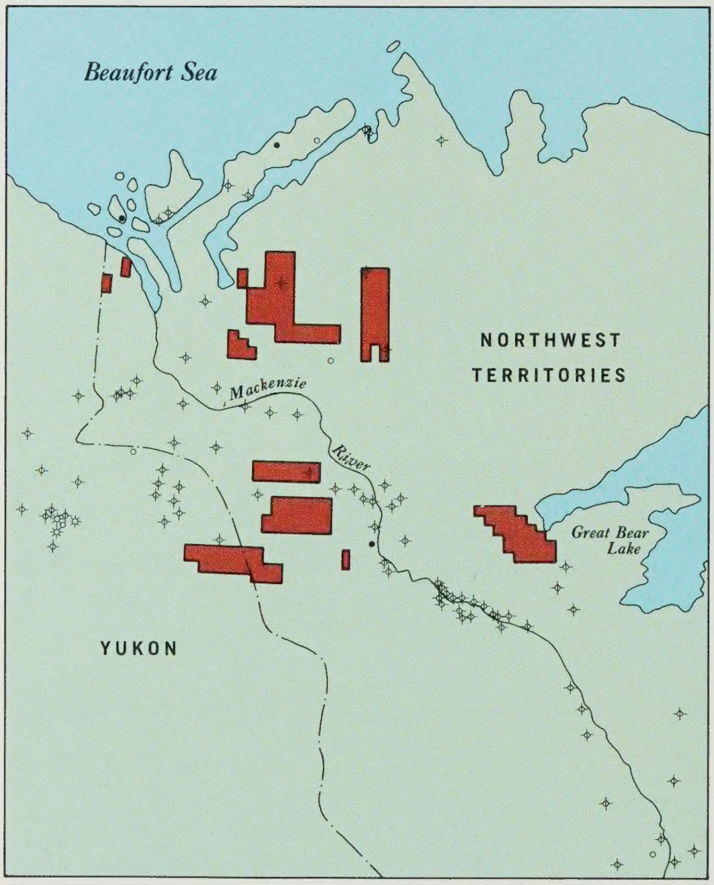

Canada's deepest well at Pinto

Of significant importance was the gas discovery west of the West Jumping Pound Field. Although the well was not fully completed at year end, initial tests have been most favorable and indicate the presence of substantial reserves. Also considered important, are the discoveries at Chestermere and Clarke Lake East, but further drilling will be required to substantiate the extent of the reserves.

Drilling for oil was successfully carried out in southeastern Saskatchewan at Lake Alma and Macoun, the Countess area of southern Alberta, the Rainbow area of northwestern Alberta and at Eagle in northeastern British Columbia. Additional oil reserves were found and developed on Company lands in the Chauvin, Hamilton Lake, Hussar and Parflesh areas of Alberta.

A number of rank wildcats were drilled which will provide important sub-surface data in areas of limited geological control. Special note should be made of CPOG Buttes et al Pinto 1-16-55-27 W. 5 in central west Alberta which is the present holder of the deep drilling record in Canada, having bottomed at 17,304 feet. A second test was drilled in the Anderson Plain area of the Northwest Territories using a core-hole rig, a method pioneered by the Company.

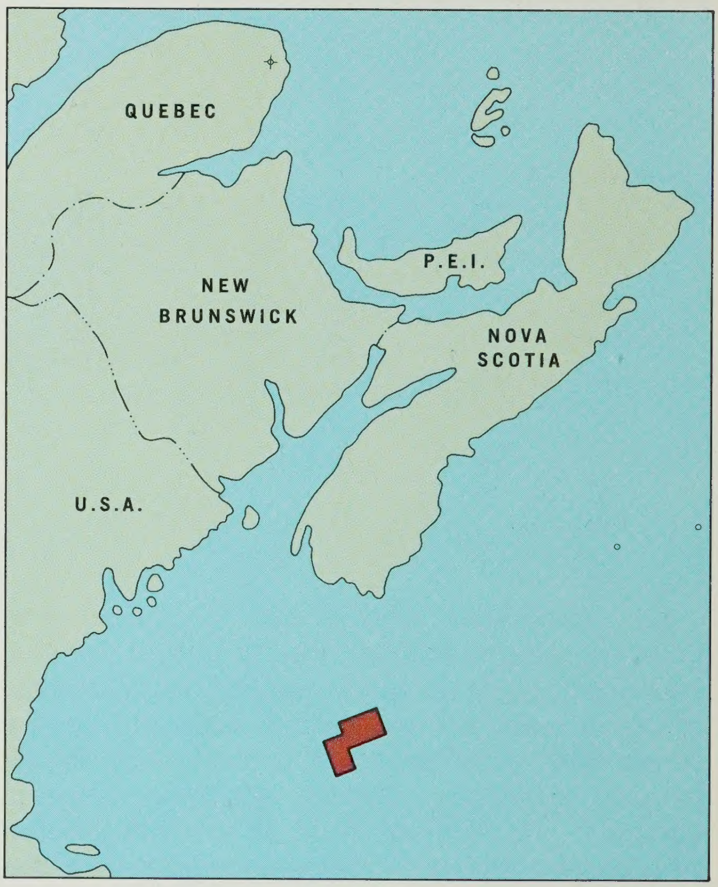
Canadian Pacific Oil and Gas of Canada Limited, a wholly owned United Kingdom subsidiary participated in the drilling of two commitment wells in the North Sea during the summer of 1969. Both tests were subsequently abandoned and at the present time the Company is investigating farmout possibilities on the two jointly held licenses.



MACKENZIE DELTA

Well Legend
○ LOCATION
● OIL
GAS
ABANDONED

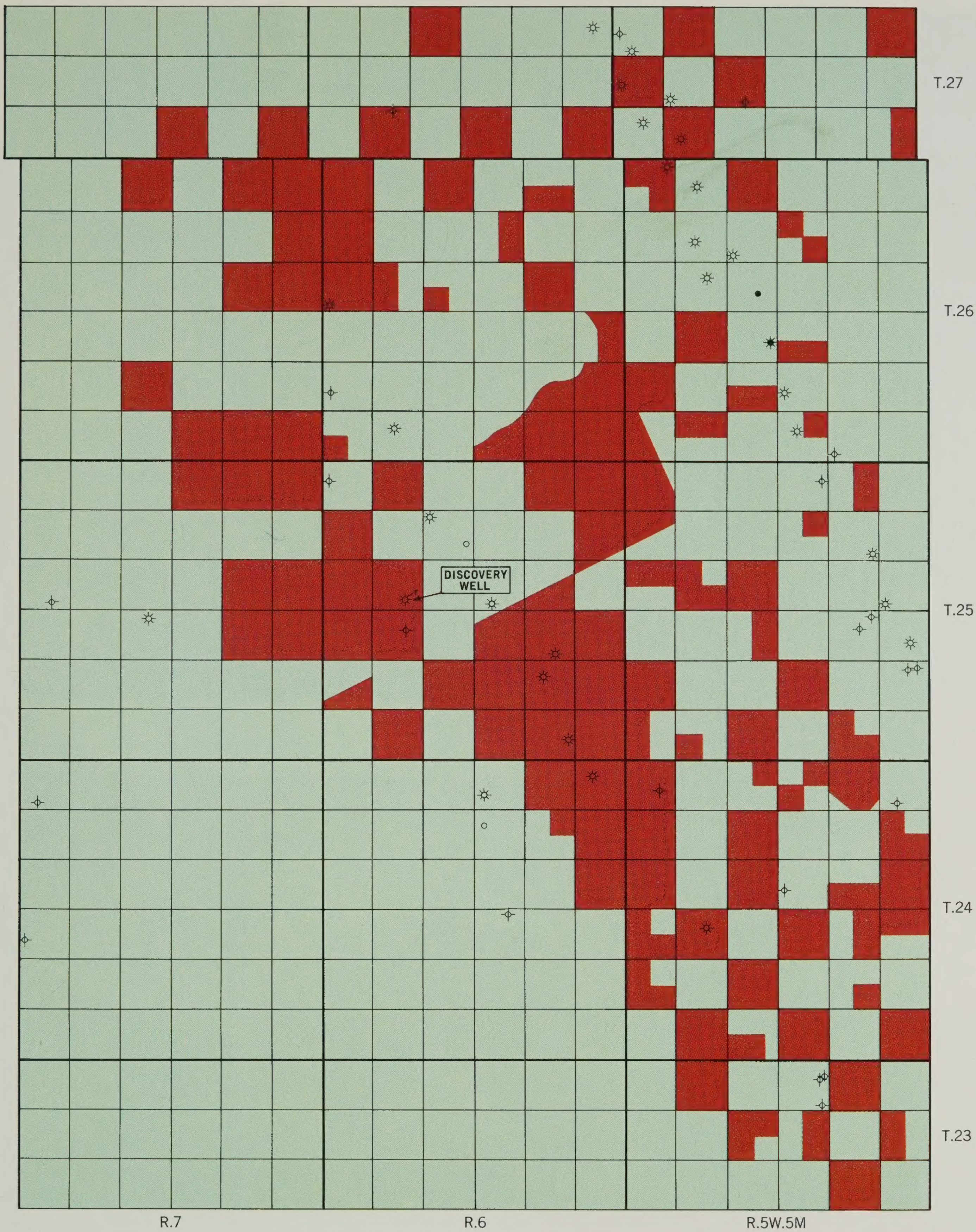
CDR ACREAGE INTEREST



NOVA SCOTIA

Well Legend
○ LOCATION
● OIL
GAS
ABANDONED

CDR ACREAGE INTEREST



CDR ACREAGE INTEREST

WEST JUMPING POUND

SOUTHWEST ALBERTA

0 1 2 3 4 5 6
MILES

Well Legend

- Location
- Oil
- Gas
- Oil & Gas
- Injection
- Abandoned
- Abandoned Oil
- Abandoned Gas

Flare pit at CPOG West Jumping Pound gas well

Weyburn unit central plant

CPOG West Jumping Pound gas well

Production

Crude Oil

Net production of crude oil averaged 22,125 barrels per day in 1969, a net increase of 416 barrels per day above the 1968 average of 21,709. Increases were primarily attributable to the additional production from Countess, secondary recovery at Wizard Lake, Horsefly, and Taber South and discovery and development at Chauvin, Hamilton Lake, Hussar and Parflesh. However, the increase was largely offset by the natural decline in production from the Weyburn Unit.

Oil treater at Taber, Alberta

NET CRUDE OIL PRODUCTION BARRELS DAILY

	1969	1968
ALBERTA		
Countess	1,439	943
Taber	1,418	1,284
Wizard Lake	1,158	952
Bantry	1,030	909
Fenn Big Valley	893	834
Horsefly	844	640
Westerose	585	485
Bonnie Glen	549	490
Hussar	519	468
Rainbow	375	420
Pembina	309	391
Redwater	276	193
Leduc	270	400
Wintering Hills	216	70
Other	2,947	3,145
	12,828	11,624
SASKATCHEWAN		
Weyburn	6,492	7,156
Flat Lake	505	608
Handsworth	456	550
Ratcliffe	322	283
Lake Alma	240	273
Other	1,152	1,099
	9,167	9,969
MANITOBA	113	116
BRITISH COLUMBIA	17	–
	22,125	21,709

RESERVES

The following table sets forth a summary of the evaluations by Company engineers of net reserves (after royalties), as at December 31, 1969.

Oil and Natural Gas Liquids (bbls.)	
Proven Developed	165,573,810
Probable	23,984,780
Total	189,558,590
Natural Gas (MMcf.)	
Proven Developed	1,212,707
Probable	215,296
Total	1,428,003
Sulphur (l.t.)	
Proven Developed	3,291,127
Probable	1,246,500
Total	4,537,627

"Proven Developed Reserves" are those reserves which can be produced from existing wells or facilities; "Probable Reserves" are those reserves estimated to be commercially recoverable as a result of the beneficial effects of future institution of secondary methods or future improvements in the existing recovery mechanism.

Natural Gas and Associated Products

Production of natural gas in 1969 averaged 156.6 million cubic feet per day, an increase of 30.1 million cubic feet per day or 23.8% over 1968.

Natural gas liquids production, consisting of condensates, propane and butane averaged 2,216 barrels per day in 1969, an increase of 155 barrels per day or 7.5% over 1968.

In 1969 sulphur production of 265 long tons per day exceeded the previous year by 30 long tons per day or 12.8%. Sulphur inventory at year end amounted to 51,539 long tons an increase of 97% over the previous year.

NET NATURAL GAS PRODUCTION
MILLIONS OF CUBIC FEET DAILY

	1969	1968
ALBERTA		
Hussar	20.7	17.2
Countess	20.5	14.3
Alderson	16.8	13.5
Calgary	16.1	15.4
Wintering Hills	12.2	9.5
Westerose South	9.3	8.3
Redland	8.6	9.1
Jumping Pound West	6.9	5.8
Wayne	6.6	5.3
South Carbon	3.5	2.6
Gilby	3.4	2.1
Homeglen Rimbey	2.4	2.3
Wildcat Hills	1.5	1.4
Viking Kinsella	1.2	.5
Nevis	1.2	1.7
Other	25.7	17.5
	156.6	126.5

Panarctic Oils Limited

In addition to its land holdings in the Arctic Islands your Company holds a 9.0349% interest in preferred and common shares of Panarctic Oils Limited, the industry-government consortium exploring in Canada's Arctic.

During 1969 Panarctic drilled two tests on Melville Island one of which was the gas discovery at Drake Point. The discovery well blew wild and a relief well drilled nearby subsequently discovered gas in additional horizons indicating the existence of five separate accumulations. Of the next two wells to be drilled by Panarctic, the location at Towson Point on Melville Island is on lands in which your Company owns a working interest.

NET NATURAL GAS LIQUIDS PRODUCTION
BARRELS DAILY

	1969	1968
ALBERTA		
Westerose South	896	882
Hussar Chancellor	276	263
Homeglen Rimbey	154	172
Jumping Pound West	150	88
Calgary	123	180
Redland	71	85
Wizard Lake	58	52
Other	488	339
	2,216	2,061

NET SULPHUR PRODUCTION
LONG TONS DAILY

	1969	1968
ALBERTA		
Calgary	179	161
East Crossfield	55	44
Jumping Pound	15	12
Westerose	4	6
Wimborne	3	4
Wildcat Hills	2	2
Nevis	2	3
Other	5	3
	265	235

Beaufort
Sea
Yukon
River
ALASKA
BANKS ISLAND
VICTOR
YUKON
Mackenzie
River
Great Bear Lake
NORTHWEST TERR
Great Slave Lake
Pacific
Ocean
Peace
River
Lake Athabasca
ALBERTA
SASKATCHEWAN
BRITISH
COLUMBIA
VANCOUVER ISLAND
North Saskatche
UNITED
STATES


CENTRAL-DEL RIO OILS LIMITED
and Subsidiaries
AREAS IN WHICH CENTRAL - DEL RIO HOLDS OIL AND GAS RIGHTS AS OF DECEMBER 31, 1969.
AREAS IN WHICH PANARCTIC OILS LTD. HOLDS OIL AND GAS RIGHTS AS OF DECEMBER 31, 1969.
ELLESMERE ISLAND
DEVON ISLAND
Baffin Bay
BAFFIN ISLAND
Atlantic Ocean
Hudson Bay
MANITOBA
Lake Winnipeg
ONTARIO
QUEBEC
NEWFOUNDLAND
P.E.I.
NEW BRUNSWICK
NOVA SCOTIA
Lake Superior
Lake Huron
Lake Michigan
Lake St. Clair
Lake Erie
Lake Ontario

Redland gas processing plant, Alberta

Wayne Dalum gas processing plant, Alberta

Financial

At the Extraordinary General Meeting of September 29, 1969 the Shareholders ratified and approved an agreement dated August 26, 1969, between the Company and Canadian Pacific Investments Limited, providing for the purchase by the Company of all outstanding shares of Canadian Pacific Oil and Gas Limited, in consideration of the allotment and issuance to Canadian Pacific Investments Limited of 23,708,000 fully paid shares of the Company. The Company concurrently converted its existing shares of no par value to shares of the par value of one dollar each and increased its authorized capital to $50 million divided into 50 million shares of a par value of one dollar each.

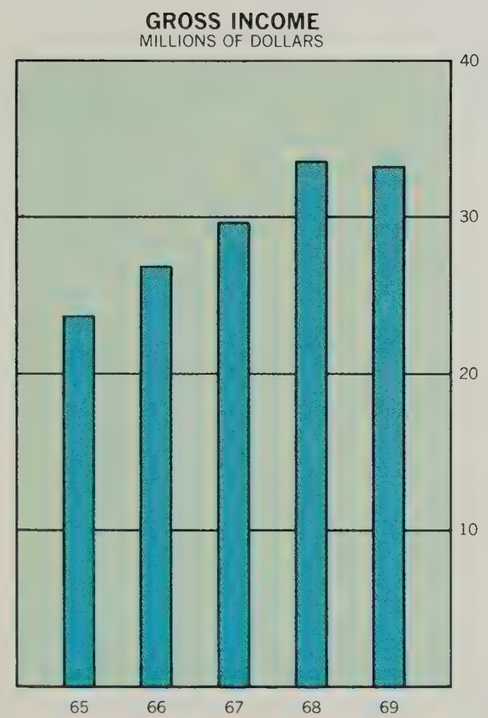
The accounts of the Company and Canadian Pacific Oil and Gas Limited, excluding the assets distributed by dividends in kind and the related earnings, have been combined on a "pooling of interests" basis, giving effect retroactively to the adjustments made in 1969 to conform the accounting practices of the Company to those of Canadian Pacific Oil and Gas Limited.

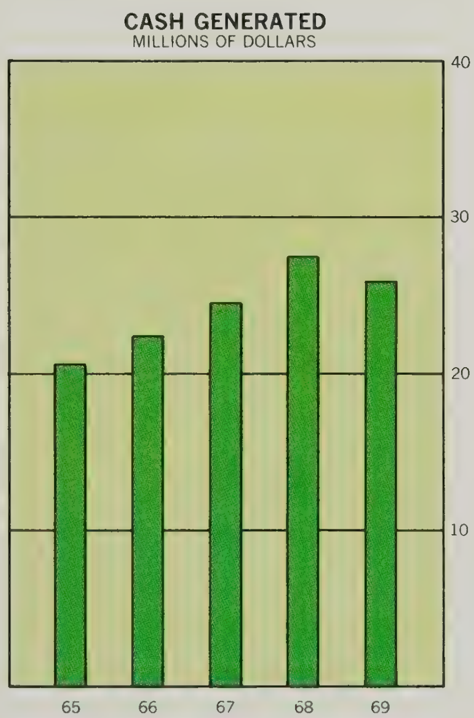
Net income for the year was $12.1 million or 40c per share compared with $13.6 million or 45c per share in 1968 while cash generated from operations decreased from $27.4 million to $25.9 million.

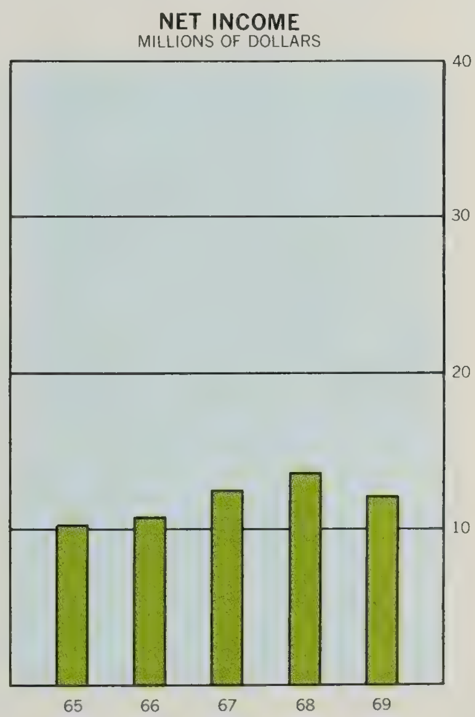
Cash dividends were increased from $8.1 million to $9.3 million (an increase of 15.2%), equivalent to 31c per share in 1969 as compared with 27c in 1968.

The volume of all products marketed increased during the year. However, operating revenues remained unchanged from 1968 at $32.3 million due mainly to the sharp decline in the selling price of sulphur.

To carry out the Company's exploration and development program, long term financing (including the current portion) to the extent of $22.3 million has been provided. Amortization of exploration and development costs through the depletion provision and interest charges on borrowed funds, both resulting from the Company's extensive program, have contributed $1.6 million of the $1.9 million increase in expenses. Further bank financing sufficient to carry out your future program has been arranged.







Auditors' Report

TO THE SHAREHOLDERS OF CENTRAL-DEL RIO OILS LIMITED:

We have examined the consolidated balance sheet of Central-Del Rio Oils Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of income and retained income and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in accounting practices of the Company referred to in Note 1 to the financial statements.

Calgary, Alberta
February 17, 1970

PRICE WATERHOUSE & CO.
Chartered Accountants

Consolidated Statement of Income and Retained Income

For the Year Ended December 31, 1969 (Note 1)

	1969	1968
INCOME:		
Operating revenue	$32,257,717	$32,280,574
Miscellaneous	989,492	1,096,210
	33,247,209	33,376,784
EXPENSES:		
Operating	4,748,785	4,403,500
Administrative	1,320,892	1,244,090
Interest	1,323,610	447,192
Depreciation (Note 2)	2,490,245	2,546,747
Depletion (Note 2)	6,230,480	5,528,500
	16,114,012	14,170,029
Income before income taxes	17,133,197	19,206,755
Provision for income taxes (Note 3)	5,008,972	5,628,275
Net income for the year	12,124,225	13,578,480
Retained income, beginning of year (Note 1)	28,030,839	22,569,297
	40,155,064	36,147,777
Dividends	9,350,236	8,116,938
Retained income, end of year	$30,804,828	$28,030,839

Consolidated Statement of Source and Application of Funds

For the Year Ended December 31, 1969

SOURCE OF FUNDS:	1969	1968
Net income for the year	$12,124,225	$13,578,480
Add – charges to income not requiring funds consisting of depreciation, depletion and deferred income taxes	13,729,697	13,823,990
Cash generated from operations	25,853,922	27,402,470
Long term borrowings (Net)	17,410,400	400,000
Issue of shares	3,522	11,843
Cash earnings applicable to assets distributed by dividends in kind	366,303	517,453
Increase in deferred rentals	–	153,302
	43,634,147	28,485,068
APPLICATION OF FUNDS:		
Petroleum, natural gas and mineral properties (Net)	25,692,213	22,017,291
Plant, production and other equipment (Net)	2,021,892	2,552,423
Decrease in deferred rentals	275,720	–
Increase in other assets	2,112	364,935
Dividends	9,350,236	8,116,938
	37,342,173	33,051,587
Increase (decrease) in working capital	$ 6,291,974	$ (4,566,519)

Consolidated Balance Sheet at December 31, 1969 (Note 1)

ASSETS	1969	1968
CURRENT ASSETS:		
Cash	$ 719,412	$ 90,921
Term deposits with –		
Bank	–	900,000
Affiliated company	3,046,381	1,184,526
Accounts receivable	6,119,563	5,460,048
Marketable securities, at cost (Quoted market value $413,280; 1968 – $379,518)	281,850	332,627
Inventories of materials and products, at cost	1,018,509	516,159
	11,185,715	8,484,281
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Petroleum, natural gas and mineral properties (Note 2)	168,254,420	142,561,544
Less – Accumulated depletion	(33,688,667)	(27,489,848)
Plant, production and other equipment	29,038,058	27,379,342
Less – Accumulated depreciation	(13,970,209)	(11,810,816)
	149,633,602	130,640,222
OTHER ASSETS, at cost:		
Drilling, reservation and other deposits	1,174,544	1,106,318
Investments in non-controlled companies	1,119,451	1,119,451
Miscellaneous	1,246	67,360
	2,295,241	2,293,129
	$163,114,558	$141,417,632

APPROVED ON BEHALF OF THE BOARD:

J. W. Hardy Director

J. M. Taylor Director

LIABILITIES	1969	1968
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 8,849,973	$ 5,904,061
Dividend payable	–	3,720,000
Due to affiliated companies	1,306,312	8,522,764
Current portion of long term debt	4,500,000	100,000
	14,656,285	18,246,825
LONG TERM DEBT:		
Bank loan, due in semi-annual instalments of $2,000,000	20,000,000	–
Bank loan (secured), due in monthly instalments of $41,700	2,310,400	500,000
	22,310,400	500,000
Less – Current portion	4,500,000	100,000
	17,810,400	400,000
DEFERRED CREDITS:		
Deferred rentals	316,068	591,788
Deferred income taxes (Note 3)	36,361,906	31,352,934
	36,677,974	31,944,722
SHAREHOLDERS' EQUITY (Notes 1, 4 and 5):		
Share capital – Authorized – 50,000,000 shares of $1 par value Issued – 30,452,145 shares of which 435 shares were issued for cash in 1969	30,452,145	30,451,710
Paid in surplus	32,712,926	32,343,536
Retained income	30,804,828	28,030,839
	93,969,899	90,826,085
	$163,114,558	$141,417,632

Notes to Consolidated Financial Statements

December 31, 1969

NOTE 1 – ACQUISITION OF CANADIAN PACIFIC OIL AND GAS LIMITED:

In 1969 the Company converted its shares of no par value into shares of a par value of $1 each and increased its authorized capital to 50,000,000 shares of a par value of $1 each. During the year the Company acquired all the outstanding shares of Canadian Pacific Oil and Gas Limited (CPOG) in exchange for 23,708,000 shares of the Company. Prior to the acquisition, the shares of the Company and certain non-oil and gas licenses, rights and related investments owned by CPOG were disposed of, at cost, by payment in 1969 of dividends in kind amounting to $18,362,955. The acquisition of CPOG has been accounted for as a pooling of interests, and, accordingly the consolidated statement of income for the year 1969 includes the results of operations of CPOG; the 1968 and prior years' consolidated financial statements have been restated to include the CPOG accounts after excluding the assets distributed by dividends in kind and the related earnings.

The adjustments to share capital and paid in surplus resulting from pooling of interests are summarized hereunder:

	Share Capital	Paid in Surplus
Balance, December 31, 1968 as previously reported –		
Company	$28,893,614	$ –
CPOG	32,328,906	–
	61,222,520	–
Adjustment to reflect the issue of 23,708,000 shares and the conversion from shares of no par value to shares of a par value of $1 each	(30,770,810)	30,770,810
Elimination from retained income of accumulated earnings to December 31, 1968 applicable to assets distributed by dividends in kind	–	1,070,788
Reduction in the accumulated deferred income taxes applicable to above earnings	–	501,938
Adjusted balance, December 31, 1968	$30,451,710	$32,343,536

The adjustments to retained income resulting from the pooling of interests and the retroactive change to conform the accounting practices of the Company with those of CPOG are summarized hereunder:

Balance, January 1, 1968, as previously reported –		
Company		$14,218,162
CPOG		34,651,097
		48,869,259
Less –		
Distribution by CPOG of assets prior to acquisition of that company	$18,362,955	
Elimination of earnings to December 31, 1967 applicable to assets disposed of prior to acquisition	713,007	
Net decrease in earnings to December 31, 1967 resulting from retroactive change in conforming accounting practices of the Company with those of CPOG	7,224,000	26,299,962
Adjusted balance, January 1, 1968		$22,569,297

The change in accounting practices of the Company had the effect of decreasing net income for the year 1968 by $1,047,000 and the 1968 accounts have been restated to reflect this adjustment.

NOTE 2 — ACCOUNTING PRACTICES:

The Companies follow the full cost method of accounting for oil and gas properties whereby all costs relating to the exploration for and the development of oil and gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, and overhead expenses related to exploration activities. These costs are depleted by the unit of production method based on estimated proven oil and gas reserves.

Depreciation of production and other equipment is calculated by the diminishing balance method based on the estimated useful life of the assets.

NOTE 3 — INCOME TAXES:

The Companies follow the allocation basis of accounting for income tax timing differences using an estimated tax rate which is less than the current effective rate. While the Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants has recommended the use of current effective rates in such a situation, management believes that the procedures being followed result in adequate provision for deferred income taxes. The Companies' policy is more conservative than the general practice in the oil and gas industry in Canada, where the majority of companies do not provide any amounts for income taxes deferred as a result of claiming drilling, exploration and lease acquisition costs in excess of amounts written off in the accounts (a practice which is accepted by accounting authorities outside Canada).

The deferred income taxes actually provided in the accounts, and the additional amounts which would have been provided if current effective tax rates had been used, may be summarized as follows:

	Deferred income taxes actually provided in the accounts	Additional amounts which would have been provided if current effective tax rates had been used
1968	$ 5,748,743	$ 1,900,000
1969	5,008,972	2,000,000
Cumulative totals to December 31, 1969	36,361,906	11,900,000

NOTE 4 — PAID IN SURPLUS:

The changes in paid in surplus for the year ended December 31, 1969 are summarized hereunder:

Balance, December 31, 1968 (Note 1)	$32,343,536
Add:	
Excess of cash received over par value of 435 shares issued in 1969	3,087
Earnings for 1969 applicable to assets distributed in kind	260,688
Deferred income taxes applicable to above earnings	105,615
Balance, December 31, 1969	$32,712,926

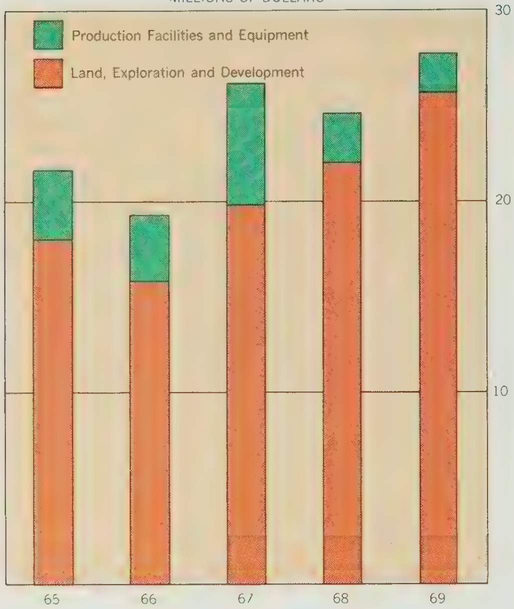
NOTE 5 — SHARE OPTIONS:

Options were outstanding at December 31, 1969 granting certain officers and employees the right to purchase 37,092 shares of the Company at prices ranging from $9.00-$19.70 per share. The options are exercisable from time to time on a cumulative basis and expire in the years 1970 to 1973. During the year 435 shares were issued under share option plans for a cash consideration of $3,522.

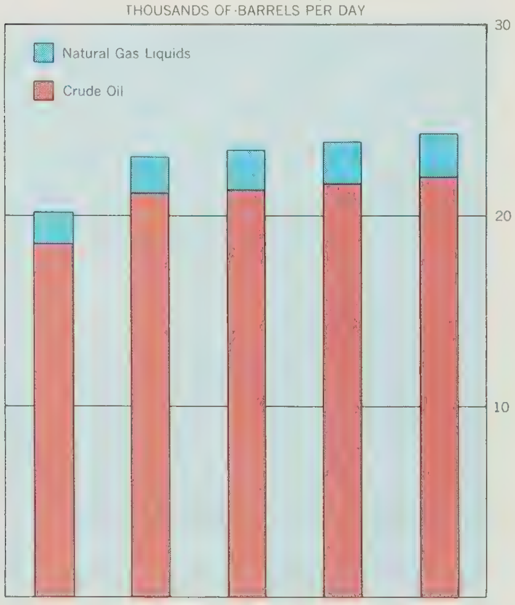
NOTE 6 — EXECUTIVE REMUNERATION:

Remuneration paid to directors and officers during 1969 amounted to $241,135.

CAPITAL EXPENDITURES
MILLIONS OF DOLLARS



NET CRUDE OIL & NATURAL GAS LIQUIDS PRODUCTION
THOUSANDS OF BARRELS PER DAY



Five Year Statistical Review

The figures shown below combine the operations of Central-Del Rio Oils Limited with t
restated accordingly for comparative purposes.

With the exception of per share figures, dollar amounts are in thousands.

FINANCIAL	1969
GROSS INCOME . . . . $	33,24
CASH GENERATED	25,85
PER SHARE	0.8
NET INCOME	12,12
PER SHARE	0.4
CASH DIVIDENDS	9,35
PER SHARE	0.3
WORKING CAPITAL (DEFICIENCY)	(3,47
LONG TERM DEBT	17,81
DEFERRED INCOME TAXES	36,36
CAPITAL EXPENDITURES	
LAND, EXPLORATION AND DEVELOPMENT	25,69
PRODUCTION FACILITIES AND EQUIPMENT	2,02
NUMBER OF SHARES OUTSTANDING	30,452,14
NUMBER OF SHAREHOLDERS	7,72

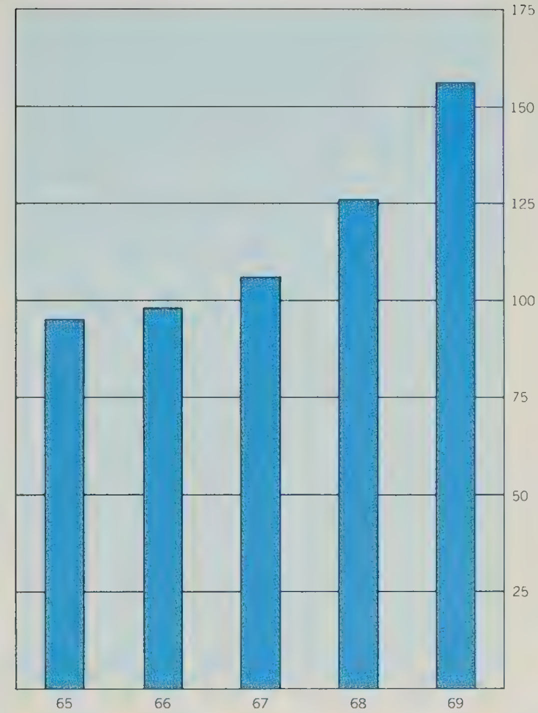
OPERATIONS	
PRODUCTION — NET	
OIL AND NATURAL GAS LIQUIDS (bbls.)	8,884,31
DAILY AVERAGE	24,34
NATURAL GAS (Mcf.)	57,151,78
DAILY AVERAGE	156,58
SULPHUR (l.t.)	96,49
DAILY AVERAGE	26
PROPERTIES — working interest — petroleum and natural gas	
GROSS ACREAGE	27,603,61
NET ACREAGE	20,324,10
WELLS — NET	
OIL	428.8
GAS	266.1
EMPLOYEES	
NUMBER OF EMPLOYEES	37

tions of Canadian Pacific Oil and Gas Limited in 1969 and the prior years have been

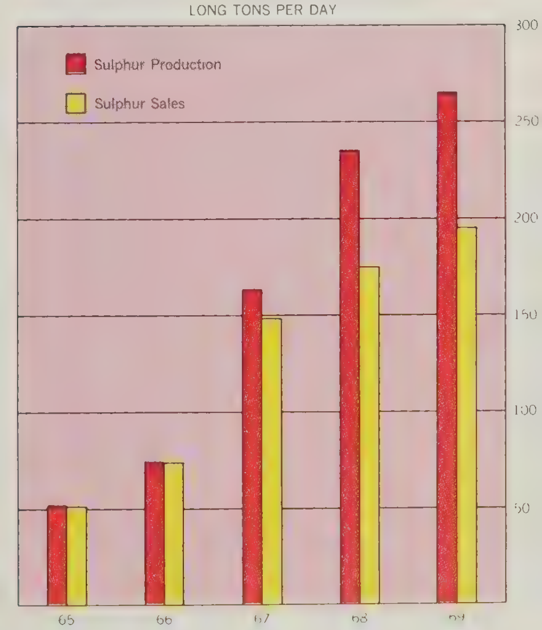
1968	1967	1966	1965
$ 33,377	$ 29,584	$ 26,796	$ 23,747
27,402	24,390	22,348	20,571
0.90	0.80	0.74	0.68
13,578	12,564	10,742	10,308
0.45	0.41	0.35	0.34
8,117	7,184	5,906	4,234
0.27	0.24	0.19	0.14
(9,763)	(5,196)	2,938	5,420
400	—	—	—
31,353	25,604	20,242	16,443
22,017	19,818	15,753	18,066
2,552	6,388	3,507	3,635
30,451,710	30,450,321	30,311,654	30,288,324
7,644	6,889	6,443	5,728

8,699,602	8,546,597	8,442,107	7,378,694
23,770	23,416	23,129	20,216
46,316,019	38,747,585	35,621,847	34,565,140
126,546	106,158	97,594	94,699
85,877	59,673	27,050	18,738
235	163	74	51
21,670,174	18,989,267	17,082,737	15,810,701
17,707,530	15,138,216	13,550,007	13,029,094
411.52	412.99	404.99	290.40
259.80	248.02	215.11	199.85
385	363	348	323

NET NATURAL GAS SALES
MILLIONS OF CUBIC FEET PER DAY



NET SULPHUR PRODUCTION AND SALES
LONG TONS PER DAY



CENTRAL-DEL RIO OILS LIMITED

1-2-21-7-8110-

Directors

G. J. van den Berg	Montreal, Quebec
*John F. Hardy	Calgary, Alberta
M. C. McKinnon	Calgary, Alberta
*H. M. Pickard	Calgary, Alberta
D. L. Redman	Calgary, Alberta
The Honourable Duff Roblin, P.C.	Montreal, Quebec
J. C. Ross	Lethbridge, Alberta
I. D. Sinclair, Q.C.	Montreal, Quebec
*J. M. Taylor	Calgary, Alberta

*Member Executive Committee

Officers

John F. Hardy	Chairman of the Board
J. M. Taylor	President and Chief Executive Officer
I. D. Sinclair, Q.C.	Vice President
M. C. McKinnon	Executive Vice President
D. L. Redman	Vice President – Production
W. F. Mugler	Vice President – Land
C. H. Stevens	Vice President and Comptroller
A. Barry Beaven	Secretary
V. B. Watson	Treasurer and Assistant Comptroller
Neil McQueen	Chairman Emeritus

Shares Listed

CALGARY STOCK EXCHANGE
MONTREAL STOCK EXCHANGE
TORONTO STOCK EXCHANGE
VANCOUVER STOCK EXCHANGE

Registrar and Transfer Agent

GUARANTY TRUST COMPANY OF CANADA
Calgary – Montreal – Toronto – Vancouver

Banker

THE ROYAL BANK OF CANADA

Counsel

MacKIMMIE MATTHEWS
Barristers and Solicitors – Calgary, Alberta

Auditors

PRICE WATERHOUSE & CO.
Chartered Accountants – Calgary, Alberta

23rd

ANNUAL REPORT

1969

"Developing Canada's Resources"

ALCRAFT • CALGA
LITHOGRAPHED IN CANAD

ALCRAFT • CALGARY
LITHOGRAPHED IN CANADA

"Developing Canada's Resources"

f.M

CENTRAL - DEL RIO OILS LIMITED

INTERIM REPORT

FIRST HALF AND SECOND QUARTER 1969

736 EIGHTH AVENUE SOUTH WEST
CALGARY 2, ALBERTA

CENTRAL-DEL RIO OILS LIMITED

TO THE SHAREHOLDERS:

The progress made by your Company in its negotiations with Canadian Pacific Investments Limited is indicated in a news release issued today as follows:

"Central-Del Rio Oils Limited and Canadian Pacific Investments Limited have reached an agreement whereby Central-Del Rio, subject to approval of its shareholders, will acquire from Canadian Pacific Investments all of the outstanding shares of Canadian Pacific Oil and Gas Limited in exchange for 23,708,000 shares of Central-Del Rio.

The agreement is the result of negotiations which began in June with a view to integrating the petroleum and natural gas interests of Canadian Pacific Oil and Gas with Central-Del Rio.

Prior to this acquisition, Canadian Pacific Oil and Gas will have transferred to Canadian Pacific Investments, by way of dividends in kind, its shareholdings in Central-Del Rio, Bow River Pipe Lines and Canada North-West Land Company and in certain other assets not related to oil and gas exploration and production.

Consummation of this agreement would increase the holdings of Canadian Pacific Investments in shares of Central-Del Rio from 51.6% to 89.3% and would have the effect of valuing Canadian Pacific Oil and Gas and Central-Del Rio in the ratio of approximately 3.5 to 1.

The proposed transaction will necessitate an increase in the capitalization of Central-Del Rio, and an Extraordinary General Meeting of the shareholders is planned for late September to accomplish this and to approve the agreement. A Notice of Meeting, Information Circular, and Proxy are being prepared now by Central-Del Rio for mailing to its shareholders."

The Information Circular mentioned in the news release will contain full details of the proposed arrangements, which your management considers to be most beneficial to Central-Del Rio and its shareholders.

Financial results of the Company's operations in the second quarter of 1969, presented in the accompanying statements, showed improvement over those for the first three months of the year; and exploration and development continued at a good pace. Of the 16 wells drilled during the period, 6 were completed as oil producers and one as a gas well, while 9 were abandoned and one was suspended awaiting study and evaluation of its potential for oil production.

Land holdings at June 30 totalled 5,391,354 acres gross and 3,440,940 net, up considerably from the 1968 year-end figures. In the six-month period, Central-Del Rio expended $2,881,186 on land acquisitions, exploration and development, an amount very close to the outlay for the same purposes in the first half of 1968.

A semi-annual dividend of 10 cents per share, totalling $674,371, was paid on June 16 to shareholders of record at the close of business on May 20.

In the month of June, H. D. Woodkey, who has been with CDR for 12 years, was promoted from the position of Production Superintendent to that of District Superintendent at Weyburn, Saskatchewan. In this position, he is responsible for the overall direction at district level of a wide range of production operations, including those in the 674-well Weyburn Unit.

J. T. Hardy

Calgary, Alberta
August 28, 1969

President

CENTRAL-DEL RIO OILS LIMITED

CONSOLIDATED STATEMENT OF INCOME

	Second Quarter 1969	Second Quarter 1968	First Half 1969	First Half 1968
Income:				
Crude oil and natural gas sales, less royalties	$1,887,385	$2,077,574	$3,749,647	$4,146,649
Other — fees, investment and miscellaneous	263,504	252,337	493,719	493,064
	2,150,889	2,329,911	4,243,366	4,639,713
Expenses:				
Production and field	467,541	442,035	981,399	952,182
Administrative and general	251,938	259,179	520,596	533,641
Interest and financing	14,876	2,521	25,551	4,301
	734,355	703,735	1,527,546	1,490,124
Cash generated from operations	1,416,534	1,626,176	2,715,820	3,149,589
Depletion and depreciation	735,000	723,000	1,460,000	1,445,000
Net income	$ 681,534	$ 903,176	$1,255,820	$1,704,589
Cash generated per share	21c	24c	40c	47c
Net income per share	10c	13c	19c	25c
Cash dividend paid	$ 674,371	$ 741,720	$ 674,371	$ 741,720
per share	10c	11c	10c	11c
Number of shares outstanding	6,743,710	6,742,910	6,743,710	6,742,910

Subject to adjustment and audit at end of year

CENTRAL-DEL RIO OILS LIMITED

CONSOLIDATED FINANCIAL AND OPERATING SUMMARY

Financial	June 30 1969	December 31 1968
Working capital	$ 728,010	$ 1,659,136
Fixed assets — net	44,661,546	42,561,546
Miscellaneous	1,329,702	1,246,927
	46,719,258	45,467,609
Less — long term debt	1,070,200	400,000
Total assets — net	45,649,058	45,067,609
Capital stock	28,893,614	28,893,614
Retained earnings	16,755,444	16,173,995
Shareholders' investment	$45,649,058	$45,067,609

Operating	Second Quarter 1969	Second Quarter 1968	First Half 1969	First Half 1968
Net oil sales — barrels	802,480	889,695	1,592,898	1,773,652
Daily average — barrels	8,818	9,777	8,801	9,745
Net gas sales — Mcf	183,684	63,045	401,862	143,831
Daily average — Mcf	2,019	693	2,220	790

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	First Half 1969	First Half 1968
Source of Funds:		
Cash generated from operations	$2,715,820	$3,149,589
Proceeds from issue of capital stock	—	4,418
Bank loans	720,000	—
Miscellaneous	—	17,360
	$3,435,820	$3,171,367
Application of Funds:		
Capital expenditures:		
Lands, leases and well costs	$3,271,657	$3,018,649
Plant and equipment	288,343	139,959
Metals exploration	—	278,005
	3,560,000	3,436,613
Instalments on bank loan	49,800	—
Miscellaneous	82,775	—
Payment of dividends	674,371	741,720
	4,366,946	4,178,333
Increase (decrease) in working capital	(931,126)	(1,006,966)
	$3,435,820	$3,171,367